

Frequently Asked Questions (July 2013)

Retailers

General

1. What is the sales tax? Who is responsible for collecting the sales tax?

Sales tax is a tax on tangible personal property, digital property, and selected services that are sold, leased or rented in Kentucky. It is the seller's responsibility to collect the sales tax from their customers and to remit the sales tax to the Department (Department).

2. What is the tax rate?

There is a 6 percent statewide rate. There is no local option sales tax in Kentucky.

3. What is the use tax? What is the use tax rate?

The use tax is a tax on tangible personal property and digital property used in Kentucky upon which the sales tax has not been paid. In other words, it is a sort of "backstop" for the sales tax.

Property which is purchased, leased or rented outside of Kentucky for storage, use or other consumption in this state is subject to the use tax. Tangible personal property or digital property purchased for resale, but which is used instead of being resold, is subject to sales and use tax. The use tax rate is 6 percent.

Persons who become liable for use tax are required to report and pay the tax directly to the Department within 20 days following the end of the month in which the taxable use occurs. Private individuals who occasionally incur a use tax liability and who do not hold a sales and use tax permit may report and pay the use tax on a non-registered basis on a Consumer's Use Tax return, Revenue Form 51A113(O). The return may be obtained at any Kentucky Taxpayer Service Center, by contacting the Department's Division of Sales and Use Tax at P.O. Box 181, Frankfort, KY 40602-0181 or by calling (502) 564-5170, or online at <http://revenue.ky.gov/forms/cursalefrm.htm>.

Businesses which are registered to collect sales and use tax should report their purchases subject to sales and use tax on line 23(a) of the Kentucky sales and use tax return. Individuals that owe use tax may report the tax on form 51A113(O) as described in the preceding paragraph or by including use tax on the applicable line of the Kentucky Individual Income Tax return.

4. How is each tax computed?

The sales tax is computed on the gross receipts from sales. The use tax is computed on the total purchase price of the property.

5. What kind of receipts are subject to the sales tax?

- a. the sale of tangible personal property and digital property to consumers
- b. leases or rentals of tangible personal property and digital property to consumers
- c. sales of admissions
- d. accommodations to transients for less than 30 consecutive days
- e. communications services
- f. prepaid calling service and prepaid wireless calling services
- g. furnishing of sewer services
- h. natural gas transmission and distribution services

6. Are all sales of property taxable?

No. There are three types of sales that are exempt from the sales tax. They are:

- a. Sales for Resale - tangible personal property and digital property which are purchased by another seller who issues a Resale Certificate.
- b. Interstate Commerce - property sold for delivery to and usage at a location outside of Kentucky.
- c. Sale of property which is exempt under the sales and use tax law.

7. Who is required to collect and remit the use tax on out-of-state purchases of property brought into Kentucky for use, storage, or consumption?

The consumer of the tangible personal property and digital property is responsible to remit the use tax to the Department if not collected and remitted by the seller. If the out-of-state vendor is engaged in business in Kentucky, he is responsible to collect and remit the tax to the Department. The purchaser must obtain from the out-of-state vendor a receipt showing the use tax has been paid in order to be relieved from paying the use tax directly to the Department.

8. Does the law require the seller to provide a receipt to his customer showing the sales tax paid?

Yes. A detailed receipt showing the sales tax separately stated from the purchase price must be issued to the purchaser.

9. Are sellers allowed compensation for reporting and paying the tax timely?

Yes. Effective July 1, 2013 the new calculation is as follows: 1.75 percent of the first \$1,000 of tax collected and 1.5 percent of any amount over \$1,000 of tax collected with a vendor's compensation cap of \$50 per reporting period.

10. How long must a registered retailer keep records?

Four (4) years pursuant to **KRS 139.720**

11. How do I close my sales and use tax account?

Complete Form 10A104 (Update or Cancellation of Kentucky Account), or Sales and Use Tax form 51A205, the account maintenance portion, and mail to the address on the form or submit via fax to the Division of Sales and Use Tax at (502) 564-2041. Form 51A205, the Sales and Use Tax Instructions, is mailed with every pre-printed sales and use tax return and is also available at <http://revenue.ky.gov/forms/cursalefrm.htm>.

12. How do I obtain a copy of my sales and use tax permit?

A sales and use tax permit is contained within correspondence mailed to every new sales and use tax registrant. If you need another copy or an updated copy, contact the Division of Sales and Use Tax at (502) 564-5170, or via email at krc.webresponsesalestax@ky.gov.

Filing the Return

1. What kind of sales and use tax return needs to be filed?

A sales and use tax return will be mailed to you by the Department based on your filing frequency. You must use the form provided to you by the Department because it is a scannable form. A limited number of forms providers have been approved to reproduce the Department sales and use tax return in a scannable format. Confirm that a forms provider is authorized to reproduce Kentucky sales and use tax returns.

A registered vendor also has the option to apply to file the sales and use tax return electronically via Ky E-Tax. See questions 6-15 about online filing.

2. What is my filing frequency?

Your filing frequency is based on information the Department receives on your application for a sales and use tax permit. You will either be set up on a monthly, quarterly or annual filing frequency.

All accounts are reviewed annually during the month of June and adjustments to filing frequency are made automatically. If your filing frequency has been changed, you will be notified by the Department as to the new filing frequency.

3. When is my sales and use tax return due?

A return is normally due by the 20th day of the following month at the end of your reporting period, either monthly, quarterly or annually. The majority of accounts are monthly with the return due on the 20th of the following month.

For example, the July return is due August 20th. If the 20th falls on a weekend or a holiday the return is due the next business day following the 20th. Instructions will be included with each return. Some businesses are required to accelerate, and accelerated filers' returns are due on the 25th of the following month.

4. How is the use tax due reported?

Use tax is reported on line 23(a) of the sales and use tax return issued to you by the Department. If you hold a consumer's use tax number (900,000 series), you report total taxable purchases on line 1 of the consumer return.

5. How do I remit the tax due to the Department?

Tax due can be paid either by issuing a paper check (please include your sales and use tax account number on the check), EFT (Electronic Funds Transfer), or by Online Payment. A separate application for EFT must be completed in order to utilize this method of payment. Online payment information may be viewed on our website www.revenue.ky.gov – Electronic Services - Sales Tax Online Filing.

6. Can I file my sales and use tax return online?

Yes. You must first be registered with the Department and hold a valid Sales and Use tax permit. You may then register your business for online filing at our website www.revenue.ky.gov – Electronic Services - Sales Tax Online Filing.

7. Which returns can be filed online using KY E-Tax?

At the present time, only Sales and Use Tax returns (Forms 51A102, 51A102E, 51A103, and 51A103E) may be filed online.

8. How do I get help in using KY E-Tax?

There is a help feature on the left menu bar of the application or you may call the Department at (502) 564-5170 for help. You may also email the Department at krc.webresponseetax@ky.gov.

9. Is there anything different about the online return as opposed to my paper return?

Yes. Please note that line 1, total receipts per the online return **does not** include the tax collected. You only include total receipts without the sales tax. As a result, the line 22 calculation on the paper return which divides the total by 1.06 to remove the tax is not necessary for the online return.

10. How secure is my information sent electronically?

The KY E-Tax site and your data are secured using SSL (Secure Sockets Layer) and 128 bit encryption.

11. What is the benefit to me to file my return by KY E-Tax?

- a. It's free
- b. It's fast
- c. It's easy
- d. It's convenient
- e. It pre-edits for math errors
- f. It provides filing confirmation

12. How long is it after I register online that I can begin filing my returns?

You will be able to start filing your return within three (3) business days after registration. You will be notified via email when the registration process is complete and the return is ready for electronic filing. If registration occurs close to the due date of the return, it may be necessary to file one last return on paper. If you have not received a paper return for this period, contact the Department. Please note, once you begin filing online you will no longer receive a paper return.

13. Do I need to download special software to file KY E-Tax?

No special software is needed.

14. Is the filing due date for KY E-Tax different from normal filing dates?

No, the due date for your returns remains the same as normal filing due dates.

15. How do I remit my payment if I file KY E-Tax?

You have the following payment options:

- a. Credit Card (Discover, Visa and Master Card) payments incur a 2 percent to 2.5 percent transaction fee on the total paid.
- b. Debit Card (Discover, Visa and Master Card)

- c. Electronic Check (ACH Debit)--No convenience fees are charged on the transactions.
- d. EFT (if registered)--If you are not registered for EFT but would like to do so, you must call (502) 564-6020.
- e. Check. (Please include ending period, business name, account number and type tax. **Do not** send paper return along with your check if you filed your return online.)